

and hence will be an info that will accrue at that same ratio to Cavallo upon payback.

b. The management company would also pay back the \$300k debt owed to Cavallo prior to the 65-35% calculation since it was the mgmt co that took the loss. The net financial effect is that we would be writing an additional \$195k for repayment of debt.

I am sending this on read receipt because our email has been having problems today.

Charlie and Bruce

Charles C. Hale
DivestCap Management Corp.
660 Madison Avenue, Floor 21
New York, NY 10021
Mobile: 617 818 2222
NY Office: 212 651 9033
charles@divestcap.com

Visit DivestCap at:
www.divestcap.com

Growing Technology Divestitures with Knowledge & Capital

divestcap

From: Gal, Eldad
Sent: Thursday, January 26, 2006 8:31 PM
To: 'Charles Hale'; Bruce Hill
Cc: Golan, Daniel; Vylder, Avi
Subject: RE: Emailing: RNS Draft 4 (3)_ch edits.doc, Preliminary Announcement 2005v3CH_CH.doc

Follow Up Flag: Follow up
Flag Status: Flagged

Dear Charles:

I am happy to discuss everything with you. However, I don't think you cared on the carry simply because, base don our prior understandings regarding hybrid pipe deals sourced from Sage, Sage was supposed to have 1/2 and Divestcap 1/2. Sage simply gave its 1/2 to IRI FT. In any event that is not even relevant to the discussion.

The real problem is the co-invest you proposed. Yesterday you said you anted around 5% and if you want to refigure the economics we can discuss a larger co-invest in the future, however, I cannot go to the investor and tell him to change something that was previously agreed. The investor never agreed to any co-invest and based on your discussion yesterday I indicated that a 5-10% co-invest should be ok. Anything more than that is a conceptual problem that we can't sign off on. If you feel that strongly about it I would rather the deal not be done at all and we can sit and refigure how to work things in the future.

In any event for now I suggest you try to enjoy your special day and if you want to discuss this feel free to call me. Otherwise we can discuss this when you return.

Regards,

Eldad Gal

From: Charles Hale [mailto:charles@divestcap.com]
Sent: Thu 1/26/2006 7:39 PM
To: Bruce Hill; Gal, Eldad
Cc: Golan, Daniel; Vylder, Avi
Subject: Re: Emailing: RNS Draft 4 (3)_ch edits.doc, Preliminary Announcement 2005v3CH_CH.doc

Just getting in.

We cared on the carry such that we're 7% net. It's pretty tough to earn a living at that rate with even twice our deal volume, but as you know, I said yes yesterday without a peep except asking you guys to help figure out how we can come to a model that could earn sustainable dollars for Bruce and me.

On the co-invest, I don't fully understand your objections.

1. I have always inferred that our co-invest doesn't change your carry since you get carry on it either way. So, why do you care anyway? I feel like it's rough for you guys to stipulate something without telling me why
2. I know nothing about your economics and structure. Perhaps you could lay it all out for me concretely. It's hard to understand your issues without my real knowledge of your structure.
3. High co-invests are the only way our model can generate real money on tiny deals with small carry that we spend 6-9 months on. I thought you were always sympathetic to this method of making the model work.

What I'm most concerned about is figuring out a way the model can work in the long run economically. Even if it's our fault, it isn't working now. I don't like asking you to solve our problems but, for a long and successful future, we need some discussion along those lines.

Again, info and explanation would help a lot.

Charlie

-----Original Message-----

From: Bruce Hill <bruce@divestcap.com>
To: Gal, Elad <Elad@sgccap.com>; Charles Hale <charles@divestcap.com>
Cc: Golan, Daniel <Daniel@sgccap.com>; Vigder, Avi <Avi@sgccap.com>
Sent: Thu Jan 26 12:29:13 2006
Subject: RE: Emailing: RNS Draft 4 (3)_ch edits.doc, Preliminary Announcement 2005v3CH_CH.doc

Elad,

I was in the midst of a call with Charlie getting ready to conference you in when he disappeared in the Mexican desert. He said if we got disconnected that he would call one of us back when he gets to where he is going, which I think should be in a couple of hours.

The concerns he was able to express to me while we were talking were:

- 1) Understanding how the economics work in detail
 - a) within Sage
 - b) with IRI
- 2) If Sage gets the same carry no matter what, why does it matter what we achieves? Based on our conversation, I was not able to explain this to him.

He did say to me that his whole bone here is more about understanding and full disclosure than economics.

I suspect he will call you directly when he arrives wherever he is going but if he calls me I will conference you in.

-----Original Message-----

From: Gal, Elad [mailto:Elad@sgccap.com]
Sent: Thursday, January 26, 2006 9:39 AM
To: Charles Hale; Bruce Hill
Cc: Golan, Daniel; Vigder, Avi
Subject: RE: Emailing: RNS Draft 4 (3)_ch edits.doc, Preliminary Announcement 2005v3CH_CH.doc

Charlie/Bruce:

Please call me to confirm final structure.

Elad

-----Original Message-----

From: Charles Hale [mailto:charles@divestcap.com]
Sent: Thursday, January 26, 2006 8:41 AM
To: Bruce Hill; Michelle Yi
Cc: Gal, Elad; Golan, Daniel; Vigder, Avi
Subject: Emailing: RNS Draft 4 (3)_ch edits.doc, Preliminary
Announcement 2005v3CH_CH.doc

<<RNS Draft 4 (3)_ch edits.doc>> PI <<Preliminary Announcement
2005v3CH_CH.doc>> case take a look at these and then send to David. In
line with expectations.

Charlie

Charlie

-----Original Message-----

From: Bruce Hill <bruce@divestcap.com>
To: Gal, Eldad <Eldad@sagecap.com>; Charles Hale <charles@divestcap.com>
Cc: Golen, Daniel <Daniel@sagecap.com>; Vigder, Avi <Avi@sagecap.com>
Sent: Thu, Jan 26 12:29:13 2006
Subject: RE: Emailing: RNS Draft 4 (3)_ch edit.doc, Preliminary Announcement 2005v3CH_CH.doc

Eldad,

I was in the midst of a call with Charlie getting ready to conference you in when he disappeared in the Mexican desert. He said if we got disconnected that he would call one of us back when he gets to where he is going, which I think should be in a couple of hours.

The concerns he was able to express to me while we were talking were:

- 1) Understanding how the economics work in detail
 - a) within Sage
 - b) with JRI
- 2) If Sage gets the same carry no matter what, why does it matter what we convey? Based on our conversation, I was not able to explain this to him.

He did say to me that his whole issue here is more about understanding and full disclosure than economics.

I suspect he will call you directly when he arrives wherever he is going but if he calls me I will conference you in.

-----Original Message-----

From: Gal, Eldad [mailto:Eldad@sagecap.com]
Sent: Thursday, January 26, 2006 9:59 AM
To: Charles Hale; Bruce Hill
Cc: Golen, Daniel; Vigder, Avi
Subject: RE: Emailing: RNS Draft 4 (3)_ch edit.doc, Preliminary Announcement 2005v3CH_CH.doc

Charlie/Bruce:

Please call me to confirm final structure.

Eldad

-----Original Message-----

From: Charles Hale [mailto:charles@divestcap.com]
Sent: Thursday, January 26, 2006 8:41 AM
To: Bruce Hill; Michelle Yi
Cc: Gal, Eldad; Golen, Daniel; Vigder, Avi
Subject: Emailing: RNS Draft 4 (3)_ch edit.doc, Preliminary
Announcement 2005v3CH_CH.doc

<<RNS Draft 4 (3)_ch edit.doc>> Pt <<Preliminary Announcement of
2005v3CH_CH.doc>> once take a look at these and then send to David. In
line with expectations.

Charlie

divestcap

From: Gal, Eldad
Sent: Friday, February 17, 2006 4:05 AM
To: Golen, Daniel
Subject: FW:

Follow Up Flag: Follow up
Flag Status: Flagged

From: Charles Hale [mailto:charles@divestcap.com]
Sent: Thu 2/16/2006 5:48 PM
To: Gal, Eldad
Cc: Bruce Hill
Subject:

EG - 60% of the 1.5m TAD/L deal would be \$1.2m.

For the docs, what is the legal address of Oldpoint, or whichever entity you want to use?

The wire info for HB is:

EIN: 20-2239826

Fleet Bank
1143 Lexington Ave
New York, NY 10021
FBO HH Equity Capital LLC
Account # 9508314773
ABA # 021202162

Please have them say FLEET Bank

Since / Eldad - we should probably form a new entity now for other use.

Charles C. Hale
DivestCap / Sage
660 Madison Avenue, Floor 21
New York, NY 10021
Mobile: 617 818 2222
NY Office: 212 651 9023
CHARLES@DIVESTCAP.COM
www.sagecap.com
www.divestcap.com

divestcap

From: Charles Hale [charles@divestcap.com]
Sent: Friday, February 17, 2006 6:05 PM
To: Golan, Daniel; Sagiv, Mor; Vogler, Avi
Cc: Glad, Bruce Hill
Subject: RE: Reconciliation Question

Follow Up Flag: Follow up
Flag Status: Flagged

Actually, he usually doesn't answer me anyway which is one reason why I'm doing GCI's numbers for you only now.

Anyway, this is PRELIMINARY what I have for GCI:

	2005	2004	2003
PAWS	\$0.222	\$161,564	\$160,493
Genzyme	\$1,463	\$1,212	\$1,212
Widetech	\$4,223	\$0,316	\$5,922
ASCO	\$1,235	\$1,018	\$1,418
SSC	\$1,444,571	\$1,388,009	\$1,385
Pathway	\$6,604	\$12,390	\$12,016
Ex-Interest	\$1,956	\$1,821	\$1,219
Sum	\$1,451,335	\$1,391,240	\$1,393,324

You can see that the organic growth has been pretty good. The SUM is misleading because the accrued SSC to GCI payment is pending. By this Sunday, I should have completed the lapsing and other cash->GAAP reconciliations required to arrive at the number SSC owes GCI. GCI will need to approve it.

If I had to guess, GCI + SSC will be \$4m - right on target - with a \$1.8m payment to GCI. We estimated \$5m cash for the Japanese for 2006. Is that too much? I think not. 2006 has had a strong start in Europe. DISA, Unisys, and UBS could result in significant deals. Unisys alone has \$3-6m potential.

I don't think the non-operating expenses will be material (mostly legal, some travel). The clear message I had last time was to GROW operations out of SSC. We never did that, which we all discussed as a failure. Obviously, I'm now putting this failed effort on hold (except for one resource we can discuss). This is fair warning though that you need to tell me if you want different treatment of our ops. Thanks.

Charlie

Charles C. Hale
 Mobile: 617 818 2222
 NY Office: 212 651 9923
 charles@divestcap.com

From: Glad [mailto:Glad@hartbay.com]
Sent: Friday, February 17, 2006 3:07 PM
To: Charles Hale
Subject: RE: Reconciliation Question

I doubt if Shlomo will answer until Saturday night (Israel) / Sunday. He usually doesn't answer during "Shabbat".

divestcap

From: Gal, Eited
Sent: Thursday, March 02, 2006 9:20 PM
To: Dolan, Darrel
Subject: FW:

Follow Up Flag: Follow up
Flag Status: Flagged

From: Charles Hale [mailto:charles@divestcap.com]
Sent: Thu 3/2/2006 1:43 PM
To: Sagi, Mor; Gal, Eited
Cc: Michelle Y; Vigder, Avi
Subject: RE:

PS -- with the numbers falling into shape, we can now figure out the royalty rate. With whom shall I take up this topic? Obviously, it is important not only to GCI's cash but also to SSG's tax picture.

Charlie

Charles C. Hale
Mobile: 617 816 2292
NY Office: 212 651 9023
CHARLES@DVESTCAP.COM

From: Charles Hale
Sent: Thursday, March 02, 2006 1:49 AM
To: Sagi, Mor; Glick
Cc: 'eldad@stagecap.com'; 'Michelle Y'
Subject:

I have gotten a balance through 12/2005. The following are the pro forma financials.

The only non-operating expenses included are some deal costs (律师 fees), tax, and \$100k I withdrew for IMC. This means that INCLUDED in these numbers are roughly \$600k of yearly salaries (Bruce, Charlie, Michelle, Ernst thru '05), and maybe up to \$100k per year in legal or other expenses. Bottom line: an aggressive view of operating cash flow would increase the numbers \$600k per year. Realistically, however, I estimate we overbuden the company only about \$80k because (i) I don't think we have material legal or other allocated expenses (although I am checking -- and having the auditors do so too) and (ii) we need a CEO (\$250k at plan), a Controller instead of a book keeper (+\$20k), and a Director of Development (\$110k). Agree or disagree, these are a good start and have detailed numbers behind them.

Please share this with Atsushi & co, if you like. I am not required yet on what we show to LAC. I will tackle the NDA first, tomorrow.
Charlie

NOTE: TABLE FORMAT FOLLOWS PICTURE

DRAFT

	Actual 2003	Actual 2004	Actual 2005	Forecast 2006
Product Bookings	2,030,197	1,736,509	926,471	1,000,000
Maintenance Bookings	2,281,828	2,720,956	3,906,466	4,375,242
Service Bookings	60,178	21,592	64,000	50,000
GCI Bookings	866,571	1,841,900	2,044,220	2,410,000
Total Bookings	5,238,773	6,320,555	6,943,196	8,635,242

Revenue

Software	2,030,197	926,472	1,736,358	1,000,000
Service	60,178	21,592	64,000	50,000
Maintenance	1,141,867	2,950,816	3,512,177	4,375,242
GCI	866,571	1,841,900	2,044,220	2,410,000
Total Revenue	4,098,912	5,742,890	7,356,755	9,197,182
Net/Net Approximate End User Bookings	5,238,773	6,320,555	10,116,461	12,450,652
Total Cost of Sales	14,622		744	
Headcount Expenses	1,484,228	1,980,019	1,913,457	2,104,802
OpEx	462,771	587,374	854,216	930,636
Operating Cash Flow	3,272,092	3,753,495	4,174,340	5,320,862

DRAFT

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Operating Cash Flow				

<u>3,277,092</u>	<u>3,753,695</u>	<u>4,174,740</u>	<u>5,590,302</u>
------------------	------------------	------------------	------------------

Charles C. Hale
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660 Madison Avenue, Floor 21
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CHARLES@DIVESTCAP.COM
WWW.SAGECAP.COM
WWW.DIVESTCAP.COM

divestcap

From: Charles Hale [charles@divestcap.com]
Sent: Tuesday, March 07, 2006 10:36 PM
To: Gel, Edad; Golan, Daniel; Segi, Mor
Cc: Vigdor, Avi
Subject: Update - Several Items Re: SightLine + Glenside for

Follow Up Flag: Follow up
Flag Status: Flagged

Danny, Edad, and Mor,

A few items:

DILIGENCE STATUS

We ought to discuss Jack's email (below) and the SSC + GCI deal strategy. I'd like to shrink this request list until we get affirmation on valuation and become more embedded. Do you agree with this approach? Audited financials right away, in particular, will be a rat's hot. I could easily do the audited SSC with GCI bank statements and my reconciliation, but even that is a lot of data with no feedback that it is warranted. Please let me know your thoughts.

EBITDA STATUS

Separately, I sent out today a pro forma SSC + GCI EBITDA. It looks great. It has only modest adjustments(*). Please let me know if you didn't get a copy but want one.

CASH STATUS

I am now working on the final SSC and GCI cash numbers. These won't look as good. They're not bad but probably show \$3.6m 2004 and \$3.7m 2005 gross SSC + GCI. Note that the \$3.7m includes adding back (i) a big prepaid I made Dec 2005, and (ii) DISA moving from advance to arrears. It does not reflect the \$500k in DMC salaries. As you know, I thought we'd see \$4m. So, where is the 200k-300k I thought SSC + GCI had? Possibilities are:

1. Cash timing on year end orders (we had a monstrous \$1m+ January '06 cash performance),
2. Expenses I have run through the business but haven't noticed yet (this is unlikely—the only major legal cost, I think, was a \$22k hit on Stearns)
3. My imagination having rounded the business up slightly (possible but out of character—I am usually too pessimistic)
4. Model errors. I still have a 50k imbalance I am working through which can make a 100k difference.

I think we will see #1, #3, and #4 are factors, in order of importance in why I'm coming up 200k lite. Still, I don't like it and will have extra-scrubbed, a full reconciled cash-on-cash-to-GAAP numbers in the next day or two.

SSC – GCI SPLITS

Needless to say, if I was off by \$200,000, SSC's portion can be reduced accordingly for any overages taken since I planned on \$4m. As a practical matter, given how strong January was (\$1m added cash in Jan alone and another couple of hundred thousand in Feb), any ripples there are already evened out.

COMMENT ON DISA

You probably don't want this level of detail but I want you to know that the above stable cash performance is despite having almost doubled R&D for DISA (by adding 3.5 FTEs). DISA doubled last year, so the decision is looking okay. It still might not catch big— one never knows until one has the cash, and there is always political risk—but the opportunity is \$40m NPV. The question I am wrestling with is how to project it particularly given that we can't really have people interviewing the department.

WIRE TO GCI

GCI and we need to have a formal discussion on rates. I would like to keep them the same as last year, and initiate at least a \$1.1m wire to GCI that I accrued to GCI to get GCI to over 80% of the numbers discussed above and 45% (as a product cost) of product and maintenance.

Comments and questions – please send my way. I will send a shorter email out to the whole team on status.

Charlie

(*) The only material adjustment is a correction I made to the auditors miss-classing a deal last year. They recognized a 12/04 RoSense deal in 2004 that should go in 2005. Since I had concerns about the deal, I held it up and didn't issue keys until well into '05. At least as far as I am aware, this makes 2005 recognition non-negotiable. While this treatment would be favorable to us, it would also be right, which is most important.

Charles C. Hale
Mobile: 617.818.2222
NY Office: 212.651.9023
CHARLES@DIVESTCAP.COM

From: Bradley, Jack [mailto:jack.bradley@bingham.com]
Sent: Tuesday, March 07, 2006 5:17 PM
To: Charles Hale
Cc: Matsunaga, Len
Subject: RE: Pro Forma SSC GCI 20060307.xls

Charlie,

I will send you a follow-up email with my questions after reviewing the pro-forma statements. In the interim I wanted to recap which additional documents we will need to provide our preliminary estimate of value:

Requested previously:

1. Audited financials for both Sightline and Glen Ridge for 2003 and 2004
2. Cash-GAAP reconciliation
3. Projections for 2006 and beyond

New Requests:

1. Copy of agreements between Sightline and Glen Ridge including the License/Royalty agreement between these two entities
2. Copy of distribution agreements
3. Department of Defense contract
4. Change in Control agreements which will result in severance or other payments to current employees of Sightline and Glen Ridge

regards, jack

-----Original Message-----

From: Charles Hale [mailto:charles@divestcap.com]
Sent: Tuesday, March 07, 2006 3:25 PM
To: Bradley, Jack
Cc: Glad, eldad@sagecap.com; Michelle Yi
Subject: Pro Forma SSC GCI 20060307.xls

Jack - pro forma attached.

Best regards,
Charlie

Bingham McCutchen LLP Circular 230 Notice: To ensure compliance with IRS requirements, we inform you that any U.S. federal tax advice contained in this communication is not intended or written to be used, and cannot be used by any taxpayer, for the purpose of avoiding any federal tax penalties. Any legal advice expressed in this message is being delivered to you solely for your use in connection with the matters addressed herein and may not be relied upon by any other person or entity or used for any other purpose without our prior written consent.

divestcap

From: Charles Hale [charles@divestcap.com]
Sent: Thursday, June 01, 2006 11:51 PM
To: Shlomo Melchor
Subject: Fw: Request of invoices for maintenance services from June 1, 2006 thru May 31, 2007

Follow Up Flag: Follow up
Flag Status: Flagged

Shlomo - hi. Could I have updated bank fixes, please? Thank you.

-----Original Message-----

From: Michelle Yi <michelle@divestcap.com>
To: 'minjia@widetech.co.kr' <minjia@widetech.co.kr>
CC: 'widetech@widetech.co.kr' <widetech@widetech.co.kr>; Charles Hale <charles@divestcap.com>
Sent: Thu Jun 01 21:57:40 2006
Subject: Re: Request of Invoices for maintenance services from June 1, 2006 thru May 31, 2007

Thank you for notifying me about this. I will look into this and get back to you.

Best regards,
Michelle

-----Original Message-----

From: minjia <minjia@widetech.co.kr>
To: Michelle Yi <michelle@divestcap.com>
CC: widetech <widetech@widetech.co.kr>
Sent: Thu Jun 01 21:19:08 2006
Subject: Fw: Request of invoices for maintenance services from June 1, 2006 thru May 31, 2007

Hello Michelle,

As I noticed, we remitted the money on 30th May to the bank account you advised.

However, we were notified from our bank today that the bank account and address doesn't exist. It seems that SWIFT code was accepted.
Accordingly, the remittance has been held.

Please check it and let me know.

Best regards,
B.M.M.

-----Original Message-----

From: minjia <minjia@widetech.co.kr>
To: Michelle Yi <michelle@divestcap.com>
Cc: Charles Hale <mailto:charles@divestcap.com>; Debi Ray <mailto:debi.ray@sightfinesystems.com>; widetech <mailto:widetech@widetech.co.kr>
Sent: Tuesday, May 30, 2006 2:46 PM
Subject: Re: Request of Invoices for maintenance services from June 1, 2006 thru May 31, 2007

Hello Michelle,

We remitted the amount today to the bank account you designated.

Please confirm receipt of the money.

Best regards,

B.M.Min

----- Original Message -----

From: Michelle Yi <<mailto:michelle@divestcap.com>>
To: bmmmin <<mailto:mailto:bmmmin@widetech.co.kr>>
Cc: widetech <<mailto:mailto@widetech.co.kr>> ; Charles Hale <<mailto:mailto@charles@divestcap.com>> ; Debi Ray <<mailto:mailto@debi@divestcap.com>>
Sent: Tuesday, May 02, 2006 11:25 PM
Subject: RE: Request of invoices for maintenance services from June 1, 2006 thru May 31, 2007

Mr. Min,

I hope you are doing well too. Please find attached the invoices for KSE, KFB, and NFFC.

Best regards,

Michelle

divestcap

From: Tighe, Craig [Craig.Tighe@dlapiper.com]
Sent: Wednesday, July 19, 2006 11:55 PM
To: charles@divestcap.com; guy.bonney@mgsinc.com
Cc: Shlomo Meichor
Subject: Re: BNCR Issues

Follow Up Flag: Follow up
Flag Status: Flagged

Charlie:

I will revamp the Assignment to reflect your description of the deal.

Craig

Craig M. Tighe
DLA Piper Rudnick Gray Cary US LLP
2808 University Avenue
East Palo Alto, CA 94303
Officer: 650.833.2362
Cell: 650.269.1740
Fax: 650.833.2001

—Original Message—

From: Charles Hale
To: Guy Bonney
CC: Tighe, Craig, Shlomo Meichor
Sent: Wed Jul 19 20:35:37 2006
Subject: FW: BNCR Issues

Fyi - first draft.

I have tried, perhaps in looking for an assignment agreement. Technically, what is supposed to happen is that this distribution contract is being assigned to another distributor to handle. Therefore, the IP and products are still property of GCI but now MGS is the master distributor. It is, in short, coming between GCI and ASCI.

Charles C. Hale
Mobile: 617 818 2222
NY Office: 212 651 9023
charles@divestcap.com <**BLOCKED**:me@charles@divestcap.com>

From: Tighe, Craig [mailto:Craig.Tighe@dlapiper.com]
Sent: Tuesday, July 18, 2006 11:32 PM
To: Charles Hale
Subject: Re: BNCR Issues

divestcap

From: Tighe, Craig [Craig.Tighe@dlapiper.com]
Sent: Wednesday, July 19, 2006 11:56 PM
To: charles@divestcap.com; guy.bonney@mgsinc.com
Cc: Shlomo Melchor
Subject: Re: BNCR Issues

Follow Up Flag: Follow up
Flag Status: Flagged

Charlie:

I will revamp the Assignment to reflect your description of the deal.

Craig

Craig M. Tighe
DLA Piper Rudnick Gray Cary US LLP
2000 University Avenue
East Palo Alto, CA 94303
Office: 650.833.2362
Cell: 650.269.1740
Fax: 650.833.2901

-----Original Message-----

From: Charles Hale
To: Guy Bonney
CC: Tighe, Craig; Shlomo Melchor
Sent: Wed Jul 19 20:35:37 2006
Subject: FW: BNCR Issues

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Charles C. Hale
Mobile: 617 818 2222
NY Office: 212 651 9023
charles@divestcap.com <[BLOCKED](mailto:charles@divestcap.com):mailto:charles@divestcap.com>

From: Tighe, Craig [mailto:Craig.Tighe@dlapiper.com]
Sent: Tuesday, July 18, 2006 11:32 PM
To: Charles Hale
Subject: RE: BNCR Issues

divestcap

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To: charles@divestcap.com; guy.bonney@mgsinc.com
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Follow Up Flag: Follow up
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Charles:

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Craig

Craig M. Tighe
DLA Piper Rudnick Gray Cary US LLP
2000 University Avenue
Bast Palo Alto, CA 94303
Office: 650.833.2362
Cell: 650.369.1740
Fax: 650.833.2001

-----Original Message-----

From: Charles Hale
To: Guy Bonney
CC: Tighe, Craig; Shlomo Meichor
Sent: Wed Jul 19 23:25:37 2006
Subject: FW: BNCR Issues

Fyi - first draft.

I have cited, perhaps in looking for an assignment agreement. Technically, what is supposed to happen is that this distribution contract is being assigned to another distributor to handle. Therefore, the IP and products are still property of GCI but now MGS is the master distributor. It is, in short, coming between GCI and ASCII.

Charles C. Hale
Mobile: 617 818 2222
NY Office: 212 651 9023
charles@divestcap.com <[BLOCKED:charles@divestcap.com](mailto:charles@divestcap.com)>

From: Tighe, Craig [mailto:Craig.Tighe@dpipiper.com]
Sent: Tuesday, July 18, 2006 11:32 PM
To: Charles Hale
Subject: RE: BNCR Issues

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From: Tighe, Craig [Craig.Tighe@dlapiper.com]
Sent: Wednesday, July 19, 2006 11:56 PM
To: charles@divestcap.com; guy.bonney@mgsinc.com
Cc: Shlomo Melchor
Subject: Re: BNCR Issues

Follow Up Flag: Follow up
Flag Status: Flagged

Charlie;

I will rework the Assignment to reflect your description of the deal.

Craig

Craig M. Tighe
DLA Piper Rudnick Gray Cary US LLP
2000 University Avenue
East Palo Alto, CA 94303
Office: 650.833.2362
Cell: 650.269.1740
Fax: 650.833.2901

-----Original Message-----

From: Charles Hale
To: Guy Bonney
Cc: Tighe, Craig; Shlomo Melchor
Sent: Wed, Jul 19 20:35:37 2006
Subject: FW: BNCR Issues

Fyi - first draft.

I have erred, perhaps in looking for an assignment agreement. Technically, what is supposed to happen is that this distribution contract is being assigned to another distributor to handle. Therefore, the IP and products are still property of GCI but now MGS is the master distributor. It is, in short, coming between GCI and ASCH.

Charles C. Hale
Mobile: 617 818 2222
NY Office: 212 651 9823
charles@divestcap.com <BLOCKRD:mailto:charles@divestcap.com>

From: Tighe, Craig [mailto:Craig.Tighe@dlapiper.com]
Sent: Tuesday, July 18, 2006 11:32 PM
To: Charles Hale
Subject: RE: BNCR Issues

divestcap

From: Tighe, Craig [Craig.Tighe@dlapiper.com]
Sent: Wednesday, July 19, 2006 11:55 PM
To: charles@divestcap.com; guy.bonney@mgsinc.com
Cc: Shlomo Melchor
Subject: Re: BNCR Issues

Follow Up Flag: Follow up
Flag Status: Flagged

Charles:

I will revamp the Assignment to reflect your description of the deal.

Craig

Craig M. Tighe
DLA Piper Rudnick Gray Cary US LLP
2000 University Avenue
East Palo Alto, CA 94303
Office: 650.833.2362
Cell: 650.269.1740
Fax: 460.833.2301

-----Original Message-----

From: Charles Hale
To: Guy Bonney
CC: Tighe, Craig; Shlomo Melchor
Sent: Wed Jul 19 20:35:37 2006
Subject: FW: BNCR Issues

Fyi - first draft.

I have erased, perhaps in looking for an assignment agreement. Technically, what is supposed to happen is that this distribution contract is being assigned to another distributor to handle. Therefore, the IP and products are still property of GCI but now MGS is the master distributor. It is, in short, coming between GCI and ASCH.

Charles C. Hale
Mobile: 617 318 2222
NY Office: 212 681 9823
charles@divestcap.com <**REDACTED**:mailto:charles@divestcap.com>

From: Tighe, Craig [mailto:Craig.Tighe@dlapiper.com]
Sent: Tuesday, July 18, 2006 11:32 PM
To: Charles Hale
Subject: RE: BNCR Issues

Charlie:

Attached is a draft Assignment of Agreement, kept short and sweet as you requested.

A few points:

- * Under the Distributor Agreement, it appears that Glenridge owns the Trademarks and the Products. Are these being assigned to MGS as well? If not, on what basis is MGS supposed to perform under the Distributor Agreement? Please note that a trademark can not be separated from the business to which it relates without creating the risk that it will lose its legal rights.
- * I wasn't sure if MGS is to get the payments for invoices pre-dating the Assignment, so I included a provision stating that payments on these invoices remain Glenridge's property. If this is not the business deal, you can delete.
- * Is MGS going to give Glenridge any considerations for taking over the Distributor Agreement?

Cheers,

Craig

From: Charles Hale [mailto:charles@divestcap.com]
Sent: Tuesday, July 18, 2006 4:39 PM
To: Guy Bayne
Cc: Tighe, Craig
Subject: RE: BNCR Issues

Guy - we need in a quick assignment agreement.

Craig - could you draft for us the quickest assignment agreement? We need to assign the attached agreement from Glenridge Commercial Corporation to MGS, Inc.

The agreement should be as simple as possible. This is just to transfer a distribution contract that the Israeli can't really manage to someone who can. We have a close, trusted relationship with MGS.

In fact, if you have a template, that would be best. We can customize it.

Thank you.

Charlie

Charles C. Hale
Mobile: 617 818 2222
NY Office: 212 651 9023
charles@divestcap.com <BLICKED> charles@divestcap.com

From: Guy Bonney [mailto:guy.bonney@mgainc.com]
Sent: Tuesday, July 18, 2006 6:14 PM
To: Charles Hale
Subject: Fwd: BNCR Issues
Importance: High

Charlie,

I know you're out of town (Tokyo?) but I need you to act on a couple of BNCR issues:

1. BNCR is back insisting about the 20% rate for "maintenance" (support, maintenance, and updates) again claiming that Unisys, Oracle, Microsoft, and the IBM distributor for Costa Rica have all committed to a "maintenance" rate of 11% of license fees. They are asking "what can we (ASCII & Sightline) do on the maintenance percentage" that they can take to Procurement to show that we are working together to manage costs. I think we are going to have to offer them something of a discount in order to get a multi-year renewal. I would like to sell them on a rate of 17% to 18%.
2. Certification and Authentication (of the certification) that ASCII is the sole distributor for Costa Rica. If we don't act on this, we are going to lose the 2005-2006 annual maintenance revenue and possibly the customer. Please get GCI to transfer ASCII as a dealer to Sightline Systems or to MGS Inc. My preference is for them to be an MGS dealer since we're providing all the marketing support and much of the technical support and we'll react more quickly to needs like the Certification/Authentication which will be an on-going requirement for each new contract and each contract renewal at BNCR and other sites like BCR.

Regards,
Guy

From: "Oscar Jimenez" <ojimenez@ascilsa.com>
To: "Guy Bonney" <guy.bonney@mgainc.com>
Subject: BNCR
Date: Mon, 17 Jul 2006 10:09:15 -0600
X-Mailer: Microsoft Office Outlook 11
Thread-Index: AcapulcoTVLFUF94jNQHq2nBy0Dg76w==

Good morning,

I have a meeting tomorrow with Pablo to continue talking about the maintenance contract and the minimum percentage that Sightline Systems will accept.

Did you talked with Charlie about that? Any progress with the certification?

Best regards,

Oscar Jimenez P.
ASCII S.A.
Teléfono (506)273-6563
Fax (506)273-1035
Celular (506)384-0768
e-mail ojimenez@ascilsa.com

Guy Benney Phone: (804)379-0230
MGS, Inc. Fax: (804)379-1239
18901 Trade Road Mobile: (703)395-6626
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Richmond, VA 23236 Web: www.mgsinc.com <<http://www.mgsinc.com>>

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Thank you.

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Thank you.

divestcap

From: Vigder, Avi
Sent: Wednesday, August 23, 2006 4:40 AM
To: 'Charles Hale'
Subject: RE:

Follow Up Flag: Follow up
Flag Status: Flagged

no doubt that the tougher one is you. if you get really convinced we will back it. in any case lets speak later today

From: Charles Hale [mailto:charles@divestcap.com]
Sent: Wednesday, August 23, 2006 7:24 AM
To: Vigder, Avi
Subject:

Avi - Would you please confirm what a realistic equity check can be assuming you and we can get comfortable with many items including Delphi stability of revenue? Although we will pursue highest margin of safety, the data is showing a stable and loyal user base. The volatility comes on the upgrade cycle. If you are out or Raz is an irrational objector (as with SightLine), I need to increase efforts on backups. Would you please discuss with me? Thank you.

Charlie

Charles C. Hale
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CHARLES@DIVESTCAP.COM

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divestcap

From: Charles Hale [charles@divestcap.com]
Sent: Monday, September 25, 2006 6:58 PM
To: Shlomo Meichor
Cc: Vigder, Avi
Subject: GCI / SSC

Shlomo – that trip was really terrific. One of the truly best parts was getting to know you. If you need a driver again, let me know!

Now, onto SSC / GCI and tax. As you are aware, SSC and GCI signed a distributorship agreement approximately three years ago. Under that agreement GCI is obligated to: (i) deliver products to SSC and SSC's customers by issuing licensee keys for the products, and (ii) invoice SSC on a per-sale basis. After recently reviewing various matters with our counsel, we have come to believe that GCI is not sufficiently carrying out these required duties. Unless GCI fulfills these duties, SSC will have to make applicable U.S. income tax withholdings on all remittances from SSC to GCI. This is because, without these functions, SSC could be treated as having a licensee agreement with GCI, with the remittances characterized as royalties, rather than as product purchase price payments.

In order to fulfill these duties, GCI must have a dedicated employee or agent (outside of the U.S.) perform them. For withholding tax purposes, GCI cannot have SSC carry out these duties as GCI's agent. More substantively, this dedicated person would have to actually carry out GCI's distributorship agreement obligations, i.e. (i) issue all keys for the Sightline products, and (ii) issue invoices in conjunction with these key issuances. This would be a full time job.

Please let me know how you would like have GCI meet its distributorship agreement obligations. In the meantime, barring GCI's meeting these obligations, SSC will have to begin making applicable U.S. income tax withholdings on all payments that SSC makes to GCI in connection with the distributorship agreement.

Please call me at your convenience so we can talk through this matter in more detail and jointly settle on the most prudent course of actions. Thank you.

Charlie

Charles C. Hale
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divestcap

From: Idan Moskovich [idan@gelaw.com]
Sent: Tuesday, September 26, 2006 5:42 AM
To: Vigder, Avi
Cc: El Gabso; Shlomo Melchor
Subject: RE: GCI / SSC

Follow Up Flag: Follow up
Flag Status: Flagged

o.k , will discuss with Charlie the details.

IDAN MOSKOVICH

SAGE CAPITAL GLOBAL LIMITED

Berkeley Square House,

Berkeley Square, Mayfair,

London, W1J 6BD.

Tel: +44 (0) 870 351 74 06

Fax: +44 (0) 870 351 74 07

From: Vigder, Avi [mailto:Avi@sagecap.com]
Sent: Tuesday, September 26, 2006 7:20 AM
To: Idan Moskovich
Subject: FW: GCI / SSC

you and ell need to take care of it, maybe allocate ell or the new assistant you plan to recruit

From: Charles Hale [mailto:charles@divestcap.com]
Sent: Tuesday, September 26, 2006 12:58 AM
To: Shlomo Melchor
Cc: Vigder, Avi
Subject: GCI / SSC

Shlomo – that trip was really terrific. One of the truly best parts was getting to know you. If you need a driver again, let me know!

Now, onto SSC / GCI and tax: As you are aware, SSC and GCI signed a distributorship agreement approximately three years ago. Under that agreement GCI is obligated to: (i) deliver products to SSC and SSC's customers by issuing license keys for the products, and (ii) invoice SSC on a per-sale basis. After recently reviewing various matters with our counsel, we have come to believe that GCI is not sufficiently carrying out these required duties. Unless GCI fulfills these duties, SSC will have to make applicable U.S. income tax withholdings on all remittances from SSC to GCI. This is because,